

**RESTRUCTURING PLAN FOR THE GEORGIA OIL
AND GAS SECTOR**

**Georgia Oil and Gas Sector Reform
Contract No. LAG-I-00-98-00005-00
Task Order No. 5**

Final Report

Prepared for:

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As noted in the Restructuring and Privatization Assessments prepared by Hagler Bailly under Task Order 5,¹ the oil and gas sectors in Georgia have already been unbundled into the functional elements of oil and gas exploration and production, natural gas transportation, natural gas distribution, product marketing, and international oil and gas transit. Currently, nearly all of the relevant entities remain under ownership by the Government of Georgia, either as joint stock companies or as departments of the Ministry of Fuel and Energy. The exceptions to the rule are natural gas distribution systems, the largest of which have been sold, or are in the process of being sold, to private investors. Prices of virtually all oil products, including, notably, gasoline and propane, are determined by the free market.

In that context, Hagler Bailly concluded that it could best devote USAID's resources under Task Order 5 to other Subtasks, notably Subtask B. Under that Subtask, Hagler Bailly prepared, revised, and advocated the passage of numerous items of legislation important to the energy sector in Georgia, including the Law on Oil and Gas, amendments to the Electricity Law to provide for a scheme of regulation for natural gas supply, transmission, and distribution, a law providing for liability caused by hazardous materials, and an eminent domain law.

Conclusion

Given the fact that enterprises in the Georgian oil and gas sector are largely unbundled and that prices are, for the most part, determined by the open market, no further restructuring plan is appropriate under Subtask A.

¹ Hagler Bailly, "Assessment of National Energy Policies and the Status of Restructuring in the Georgia Oil and Gas Sector," 15 July 1999; Hagler Bailly, "Assessment of the Status of Privatization and Private Sector Participation in the Georgia Oil and Gas Sector," 15 July 1999.